



U.S. Department of Justice

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EVENT: Indictment

Defendant: Patrick J. Harrington et al

19 CHARGED IN \$76 MILLION FRAUD CONCERNING SBA LOANS

United States Attorney Stephen J. Murphy today announced that 19 persons have been charged in federal court with fraud in connection with over \$ 76 million in loans guaranteed by the federal Small Business Administration (SBA).

Mr. Murphy was joined in the announcement by Eric Thorson, Inspector General, Small Business Administration and Special Agent in Charge Desmond Scanlon, United States Secret Service, Detroit Field Office.

Indictments were unsealed charging five persons, and another 14 persons were charged in criminal complaints. Those charged by Indictment were:

Patrick J. Harrington, 44, of Beverly Hills, Michigan, a former Executive Vice President of Business Loan Express, LLC, ("BLX"), a company owned by Allied Capital. BLX is one of the largest lenders participating in the SBA 7(a) Loan Guaranty Program and has offices throughout the country. Harrington was charged in a 14-count indictment with

conspiracy, wire fraud, tampering with witnesses, making false declarations before the grand jury, and making false statements to a bank. According to his indictment, Harrington was the head of the Troy, Michigan office of BLX. The indictment describes a scheme whereby Harrington and others conspired to fraudulently qualify loan applicants for SBA-guaranteed loans, primarily for the “purchase” of gas stations. The indictment alleges that Harrington, in conjunction with approximately five “loan brokers,” fraudulently caused BLX to make as many as 76 SBA-guaranteed loans, totaling \$76,869,200. The indictment claims that borrowers’ payment defaults have already cost taxpayers approximately \$28,423,223. The indictment claims that loan applicants were “qualified” for the loans by overstating or misstating the applicants’ financial and other qualifications, and by falsifying the amount of the money being contributed to the small business by its owners.

Deborah J. Lazenby, 48, of Canton, Michigan, a former Assistant Vice President of Huntington National Bank, was charged with conspiracy and misapplication of bank funds as a result of her alleged involvement in the conspiracy. According to her indictment, Lazenby, who managed a Dearborn, Michigan, branch of Huntington National Bank, participated in the scheme by supplying one of the loan brokers with false verifications of loan applicants' bank accounts, and by giving the broker unpaid-for Huntington National Bank cashier's checks to be used at loan closings for loans provided by BLX.

Abdul Waheed Khan, 60, of Sterling Heights, Michigan, **Fikri Mamdouh**, 36, of Dearborn, Michigan, and **Khaled Manassra**, 35, of Dearborn Heights, Michigan. Their indictment, which charges the men with conspiracy and making false statements within the jurisdiction of the SBA, alleges that Khan and Mamdouh fraudulently obtained a \$944,000 SBA-guaranteed loan from a BLX subsidiary, the Business Loan Center, and that Manassra facilitated the loan by providing phony bank documentation for Khan and Mamdouh. The indictment states that the SBA has already incurred a loss of \$709,264 on the loan.

United States Attorney Stephen J. Murphy said, “There is a strong federal interest and public concern whenever federally-guaranteed loan programs, such as the Small Business

Administration's loan program, are made the target of fraudulent schemes. This is particularly true when the schemes involve high level officials from lending institutions and tens of millions of dollars in fraudulent loans. I applaud the excellent investigative work of the SBA-OIG and the Secret Service in this case."

Eric Thorson, Inspector General for the Small Business Administration (SBA), said, "Our office is committed to investigating multi-tiered fraud schemes involving lending officials, loan agents, borrowers and others who conspire to submit false information to receive SBA loans." Inspector General Thorson praised the combined law enforcement efforts in this case and the work completed by the U.S. Attorney's Office for the Eastern District of Michigan

Special Agent in Charge Desmond Scanlon of the U.S. Secret Service's Detroit Field Office said, "The protection of our financial infrastructure is crucial to the overall security of our nation, said. This successful joint investigation, culminating in today's arrests, illustrates the value of partnerships between government agencies in detecting and preventing crimes that threaten financial systems."

The following individuals, all of whom were borrowers who are alleged to have fraudulently obtained SBA-guaranteed loans from BLX, were charged by complaints with conspiracy to defraud the United States and to make false statements within the jurisdiction of the SBA:

Murshid Al-Nakib, 36, Dearborn, Michigan;
Mohamad Cheaib, 47, of Northville, Michigan;
Sanaa Dakhallah, 34, of Dearborn, Michigan;
Fatme Saad, 44, of Dearborn, Michigan;
Mona Faraj, 40, of Dearborn, Michigan;
Mohamed Baydoun, 44, of Dearborn, Michigan;
Tawfiq Alfakhouri, 67, of Dearborn, Michigan;
Mohamed Khadr, 56, of Ypsilanti, Michigan;
Hanan Awada, 32, of Dearborn, Michigan;
Jihad Zahra, 33, of Dearborn, Michigan;
Barbara Stylianou, 33, of Detroit, Michigan;

Youssef Bazzi, 61, of Dearborn, Michigan;
Hassan Zeineddine, 40, of Dearborn, Michigan;
Dima Jaber, 45, of Dearborn, Michigan.

The indictments and complaints are only charges. The defendants are presumed innocent and are entitled to a fair trial at which it will be the government's burden to prove guilt beyond a reasonable doubt.

Trial cannot be held on felony charges in a complaint. Complaints are often dismissed before the matter is presented to a grand jury to allow the parties time to negotiate a pre-indictment resolution of the matter, or to allow the government an opportunity to seek additional evidence, and/or to further consider whether seeking an indictment is in the best interest of justice.

Today's charges relate to charges lodged in six previously returned indictments. Three of the previously charged defendants remain at-large:

Ahmed Qdeih, 43, of Warren, Michigan (awaiting trial);
Mohammed Mustafa, 38, of Warren, Michigan (awaiting trial);
Sharif Affas, 40, of Dearborn, Michigan (awaiting sentencing);
Bassam Radwan, 41, of Dearborn, Michigan (awaiting sentencing);
Husam Fakhoury, 38, of Dearborn Heights, Michigan (awaiting sentencing);
Roman Novatchinski, 37, of Sterling Heights, Michigan (awaiting trial);
Wladimir Mizerni, 52, formerly of Waterford, Michigan (fugitive, believed to be in Australia);
Halina Mizerni, 45, formerly of Waterford, Michigan (fugitive, believed to be in Australia);
Falamarz Zahraie, 51, of Farmington Hills, Michigan (awaiting trial);
Daryoush Zahraie, 47, of Lake, Michigan (awaiting trial);
Abdulla Al-Jufairi, 41, formerly of Canton, Michigan (fugitive, believed to be in Qatar).

The maximum penalty for conspiracy, for false statements, and for making false declarations before the grand jury is five years imprisonment, a \$250,000 fine, and three years supervised release. The maximum penalty for wire fraud is 20 years imprisonment, a \$250,000

fine, and three years supervised release. The maximum penalty for witness tampering is 10 years imprisonment, a \$250,000 fine, and three years supervised release. The maximum penalty for misapplication of bank funds and making false statements to a bank is 30 years imprisonment, a \$1 million fine, and five years supervised release.

The investigation of this case, which continues, is being conducted by special agents of the U.S. Small Business Administration-Office of Inspector General and the United States Secret Service. Stephen T. Robinson is the Assistant United States Attorney assigned to the investigation.

Individuals with knowledge of SBA-loan fraud are encouraged to contact the SBA-OIG fraud line at 1 (800) 767-0385.